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Poverty statistics

Report of the Secretary-General

Summary

The present report is submitted to the Statistical Commission in accordance with a request of the Commission at its thirty-fifth session.* It contains an update on the preparation of the *Handbook on Poverty Statistics*. After recalling the objectives of the *Handbook*, the report describes the tangible intermediate outputs achieved to date and explains how the proposed outline of the *Handbook* was modified to address the specific concerns raised by the Commission at its thirty-fifth session. Furthermore, it outlines elements of a work programme on poverty statistics that is proposed for the medium term. The report is presented to the Statistical Commission for information.

* *Official Records of the Economic and Social Council, 2004, Supplement No. 4* (E/2004/24), chap I.A.

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I. Objective of the *Handbook on Poverty Statistics*

1. The overall objective of the *Handbook on Poverty Statistics* is to assist statisticians in member countries in facing the growing demand for official poverty statistics at the national and international levels. In particular, the *Handbook* will present a succinct technical review of current country practices of official poverty statistics in view of identifying the key outstanding operational challenges in poverty measurements. The *Handbook* will also offer practical solutions to address the technical weaknesses of some current practices of official poverty statistics with the objective of improving accuracy and comparability of poverty estimates across subnational regions and across countries and over time.

II. Project accomplishments and intermediate results

2. The project activities in preparation for the *Handbook* are progressing under the supervision of the Steering Committee according to the timetable of the project. Four regional workshops on poverty measurements were conducted: in the Latin America and the Caribbean region in May 2004, in the African region in July 2004, in the Asia and Pacific region in October 2004 and for the countries of the Economic and Social Commission for Western Asia (ESCWA) region in November 2004. The workshops offered an opportunity to review the current practices of poverty statistics in over 60 countries with the aim of sharing experiences among countries and exploring avenues for harmonizing their practices in order to improve (a) the quality of poverty statistics and (b) poverty comparisons between different countries.

3. The review has shown that countries are at very different levels with respect to official poverty measures, both within and across regions. A small number of countries has established practices based on a solid conceptual basis, although they still face a number of technical limitations with respect to empirical studies. The majority of countries have very little experience in poverty measurements, having conducted only one or no poverty studies over the past. Even though there exist similarities in the current practices, there are also important variations as well. This situation suggests a two-step process towards improved international comparability of poverty data: first, promote harmonization of practices within (and across) regions; and second, establish some standards in the practice of poverty measurement that would be acceptable to countries and would improve regional comparability, while at the same time preserving countries' particularities to a certain degree.

4. It is envisioned that the *Handbook* would provide practical guidance to assist countries in addressing specific poverty measurement issues and the harmonization of measurement and data-collection practices, including (but not limited to) setting up the calorie threshold(s); establishment and use of reference groups in the construction of poverty lines; use and construction of adult equivalence scales; accounting for geographical differences in consumption patterns and cost of living; establishing the frequency of updates of estimates and revisions of methodologies, including changes of base years; data capture; and data-collection practices in general. It is stressed that the *Handbook* should provide countries with practical measurement options, taking regional and local specificities into consideration to the extent possible.

5. The regional workshops were organized in close collaboration with the regional commissions, members of the Rio Group on Poverty Statistics and other relevant regional bodies, including the Pan-American Health Organization, the Observatoire économique et statistique d'afrique subsaharienne, the Economic Community of West African States and the Asian Development Bank. Partner organizations have not only actively participated in the workshops but are also providing substantive inputs into the publication. The United Nations Statistics Division has also reached out to the United Nations Development Programme (UNDP)-sponsored International Poverty Centre and they have agreed to contribute to selected chapters of the *Handbook*.

III. Amendment to the outline of the *Handbook*

6. In order to further stress that the *Handbook* should not be prescriptive in nature, as noted by the Commission at its thirty-fifth session, the outline of the *Handbook* was amended to emphasize that it will mainly present the "state of the art" of poverty statistics rather than developing new concepts or methods; any recommendations will be based on a number of options from which countries may choose.

7. A separate chapter on international poverty comparisons was originally proposed for the *Handbook*. However, discussions during the workshops stressed the need to keep the focus of the *Handbook* on national poverty measures and to assist countries in closing the data gap among them. It was felt that sound national poverty data need to be the foundation of reliable global poverty comparisons.

8. Furthermore, noting that the current global poverty measures used for international poverty comparison are based on both national data and purchasing power parities (PPPs), the United Nations Statistics Division has limited mandate and resources to address the issue of PPPs. However, the publication intends to give due consideration to the issue of international comparison by exploring the applicability of harmonized conceptual approaches to poverty measurements and by promoting common protocols for data collection at the national level. This will lead to more comparable poverty data both among countries and across regions. As a consequence of these considerations, the issue of international poverty comparisons will be presented in a new statistical annex of the *Handbook*.

9. The proposed statistical annex will explore the feasibility of adopting a non-income based poverty measure that would directly lend itself to international comparison, without having to be converted through international PPPs or other international parity indices, and based on which the link between national and global poverty estimates would be more readily understood. Preliminary findings of the workshops indicate that poverty estimates based on dietary calorie intake are well conceptualized and implemented with a fair degree of consistency within regions and to some extent across regions. A questionnaire was developed based on current practices in the Latin American and the Caribbean countries to collect food-based poverty data. The questionnaire was further elaborated and expanded to capture key methodological specificities of food-based poverty measurement practices in the African region. The revised questionnaire was then tested and finalized based on the practices in the Economic and Social Commission for Asia and the Pacific (ESCAP) and ESCWA regions. Of the more than 60 countries that

have participated in the four workshops, approximately 80 per cent (at a minimum) collect food-based poverty data and can provide the corresponding metadata. This will allow the United Nations Statistics Division to conduct a comparative analysis of food-based poverty measures based on the replies to the questionnaire.

10. The Division is also currently analysing the findings concerning the measurement practices of non-food essential needs. Country practices are commonly based on either Engel's regression or a list of essential non-food items. These two approaches could form the basis for collecting non-food data with some degree of consistency within each approach. However, further empirical work will be required, which will build on both the Division's ongoing work on the Millennium Development Goals and interim country reports prepared by UNDP.

IV. Current and future activities

11. During the first months of 2005, the chapters of the *Handbook* will be drafted by a group of specialists selected and approved by the Steering Committee of the project. All chapters will go through a process of peer review, before being compiled into a first draft volume of the *Handbook*, which will be widely circulated to solicit comments from countries and experts around the world. The final review of the *Handbook* will be conducted by an expert group meeting to be organized in the second half of 2005. Should the Rio Group go ahead with its current plans to elaborate a draft compendium of poverty statistics, special efforts will be made to ensure that the two publications will be consistent and complementary. The publication of the *Handbook* is planned for the end of 2005. In order to ensure transparency of the process, the United Nations Statistics Division will continue to update its poverty project web site (http://unstats.un.org/unsd/methods/poverty/default.htm), on which all intermediate products are being posted.

12. In the light of the current findings of the project, in particular the feedback received from countries during the workshops, the Division is exploring the possibility of preparing in the medium term a statistical publication on both food and monetary poverty estimates. This would require an empirical study in support of the formulation of a questionnaire to collect comparable non-food/non-income poverty, building on the Division's ongoing work on the Millennium Development Goals and interim country reports on the Goals prepared by UNDP (2005). The Division is also seeking to develop relevant partnerships in the United Nations system, in particular with the regional commissions and the Food and Agriculture Organization of the United Nations to build on their work and to avoid duplicating data collection.

13. After the publication of the *Handbook*, the Division also intends to conduct a programme of statistical capacity-building with respect to poverty statistics, in particular in the form of regional and subregional training workshops to close the capacity and data gap between countries.